

My comments in Pieria 26-27jun13 below a Frances Coppola article:

http://www.pieria.co.uk/articles/financial_dislocation

[I've removed/amended minor errors like spelling mistakes, "typos" etc from my comments on-line, which were rushed]

Firstly my comments will be simplistic as I'm not an economist but an ecologist - and am happy to be corrected.

Yes I fully agree with almost all of Frances's article. The financial system is not doing what should be its main job, and should be by-passed until it has been rectified.

But there are several baulks to achieving this that need countering or demolishing:

Firstly the Tories get c.50% of their funding from the financial sector - so Osborne has a conflict of interest here and cannot be trusted to do what needs doing (in fact he's continuing to over-support the importance of the now quasi-parasitical financial sector while he digs the deficit-hole deeper by reducing tax revenues from the SME activity he should be increasing more directly).

So maybe we should hope for Labour to win the next election? But here we have a problem that the last labour government appeared to defer naively to the banks for advice - and that was one of their main big errors - in being clueless about the impending crash, not their over-spending (though they did do some of that - it didn't cause the crash nor the resulting increase in deficit & national debt - that was due to a sudden drop in tax revenues after the crash, not due to the over-spending).

But Labour seems to be quiet in addressing this. Also Osborne ignores that fact - and focuses on reducing the deficit and national debt with austerity as being the top priority in helping the UK economy, when in reality the level of the public debt has almost negligible effect on the UK economy, and in reality it is the big size of the private debt that has grid-locked the economy - coupled with the associated self-interest of the financial sector that you point out. It is blindingly obvious to a non-economist like me that Osborne's focus on the deficit is fundamentally inappropriate in recessionary times (but should be remembered in 'better' times), and is just prioritized as a myth to falsely justify austerity to deliberately further increase inequality though ostensibly in pursuit of a lean (read mean) government ideology which is in reality becoming a corporatocracy (not a democracy - serving the 1% who gain from the inequality).

There is no empirical evidence left to justify the deficit-reduction/austerity myth (now the Reinhart & Rogoff paper has been shown to be based on spreadsheet errors). It's obvious that austerity decreases the tax revenue take and it is that that keeps large the deficit - not just government spending.

Although I appear to be digressing off-topic here - it is really to point out that in order to get keen take up of your good ideas Frances - you need to first help explode to the whole electorate (and to the deluded BBC) what an emperor's clothes of myths that Osborne's policies are shakily based on. Then it will be easier to show the need for your ideas in a more convincing way to them.

Milli/Balls are, right now, going along with the deficit/debt myth system instead of trying to debunk it. Is it because they themselves are deluded by it or because they are too cowardly to debunk it because they reckon it is now too entrenched in the public and media psyche by the repetitive Coalition propaganda that it is a false perception that they just have to go along with?

We really have to first educate the media especially the BBC and the public as to these myths - so that mindsets are no longer diverted and clouded by such red herrings and can positively and clearly focus on what needs to be done - to get the money to lubricate where it's needed - to simultaneously and gradually increase demand and supply (ensure they match) in the real (but-non-bank) economy by decreasing inequality (a £1000 to each person Ad-air-Turner debt-free 'helicopter' drop would have been better than the QE, but there are better methods eg living wage), and funding SMEs using e.g. your by-pass methods or similar.

Could debunking Osborne's myths to media and the public be the first pre-requisite step to enable getting traction for your ideas in the reality world beyond the world of fascinating academic discussions?

PS: I must add a criticism: You said "under conventional view ... money created by central banks" - maybe you should have reminded the readers of the obvious - that 97% of money in circulation is digital bubble-money created by banks as (pseudo-)loans (eg mortgages) - and that the central bank created money is small in comparison. And also that this power of the banks to create such 'bubble money' - coupled with their selfish direction of travel - that is a key factor at the heat of the problem, and that tends to be ignored (or maybe accepted as an unchangeable fact?).

Now I await some flak!?

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Appendix 2 to my previous 'comment' [the P.S. above being appendix 1]

In my comment above, I forgot to mention that the most promising target for direct/bypass money input should be **the green economy** - the sector that's actually growing (unless it gets slashed by Osborne) - especially energy efficiency in buildings - which means jobs with little or no carbon footprint. It is disgraceful that the wall insulation sector is collapsing because the Green Deal is so uselessly unattractive to the main target - people on low incomes and possibly also in fuel poverty.

Yet the new **Green Investment Bank** is funding extension of the life of coal-burning power stations by funding them to co-burn wood pellets from clear-felling of forests in N. America - including biodiverse 'old growth' ancient woodland. This results in carbon emissions at least as high as coal (there is a carbon debt), and loss of biodiversity. So this is how new Government banks can be abused by government when Osborne is in charge.
END OF RANT!

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To my last post I meant to add this excellent idea of getting money where it's needed:

The Energy Bill Revolution: <http://www.energybillrevolution.org/> I quote:

"We call on the Government to use the money it gets from our carbon taxes to make our homes super-energy efficient – driving down our energy bills forever."

"There is, for example, enough carbon tax revenue to treat 600,000 fuel poor households every year, providing each of them with a grant worth on average £6,500 to install energy efficiency measures. This would reduce their energy bills by an average £310 a year.

Recycling carbon revenue to make homes super-energy efficient could bring 9 out of 10 homes out of fuel poverty. It could also be used to quadruple savings in carbon emissions compared to the Government's new energy efficiency schemes and create up to 200,000 jobs – exactly what we need to support the UK's economic recovery."

But the **Osborne barrier** problem again: his likely hidden reaction: Reducing the use of gas may reduce the profits my chums can get from shale gas, and Big Six profits. Why should I care about those in Fuel Poverty or carbon emissions? The Stern report said climate change will have greatest effect on poor people &/or in poor countries - that means least effect on economically important people - such as me and my chums, and the billionaires I work for - so why should I care? and in any case - the idea of anthropogenic global warming must be ignored - as climate change legislation would threaten the value of oil and gas reserves - and thus our shares and dividends and pensions"

- Apologies for arguably going off-message there - but it's to show how Osborne is a tedious barrier to good economic ideas becoming a reality - and his myths and deceptions need to be strongly challenged - especially on TV.

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www.dragonfly1.plus.com/topics.html – my website's 'hub' page NB: read up re FRACKING

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